

**Clarita-Olney Water Company, Inc.
Clarita, Oklahoma**

Financial Statements and
Reports of Independent Auditors

June 30, 2023

Audited by
BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Broken Arrow, Oklahoma

Clarita-Olney Water Company, Inc.
Clarita, Oklahoma

Board of Directors

June 30, 2023

Chairman

Clark Parker

Vice Chairman

Robert Roebuck

Secretary

Robert Miller

Treasurer

Bonnie Lemons

Member

Billy Jones

Manager

Frankie Wallace

Bookkeeper

Donna Bolin

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Clarita-Olney Water Company, Inc.
Clarita, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clarita-Olney Water Company, Inc.
Clarita, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Clarita-Olney Water Company, Inc., Clarita, Oklahoma (the District), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year “memorandum only” comparative information and the supplementary information on page 19 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2023 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

September 8, 2023

CLARITA-OLNEY WATER COMPANY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Our discussion and analysis of the Clarita-Olney Water Company's financial performance provides an overview of the District's financial activities for the fiscal year ended June 3, 2023. Please read it in conjunction with the District's financial statements that begin on page 11.

FINANCIAL HIGHLIGHTS

- The District's operating revenue exceeded operating expenses by \$45,878 in the 2022-23 year, an increase of \$18,792 over the prior year.
- The District received \$591,573 from ODOT for water line relocation costs in 2022-23.
- The District approved raising water rates, effective August 1, 2022 to keep up with increased costs.
- In order to obtain additional funding, the District approved changing their tax status from a corporation to a Rural Water District for the 2023-24 year.

Using This Report

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

Basis of Accounting

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The Financial Statements

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District’s net position and the changes in them. You can think of the District’s net position – the difference between assets and liabilities – as one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District’s water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Net Position, and Changes in Net Position

The District’s Net Position was higher in 2022-23, increasing from \$840,208 to \$1,455,118. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District’s business-type activities.

Table 1 – Net Position:

	<u>2022-23</u>	<u>2021-22</u>	<u>Variances</u>
Current and other assets	\$ 220,101	188,926	31,175
Capital assets, net	<u>1,245,020</u>	<u>660,865</u>	<u>584,155</u>
Total Assets	<u><u>\$ 1,465,121</u></u>	<u><u>849,791</u></u>	<u><u>615,330</u></u>
Current liabilities	\$ 10,003	9,583	(420)
Long-term liabilities	-	-	-
Total Liabilities	<u><u>\$ 10,003</u></u>	<u><u>9,583</u></u>	<u><u>(420)</u></u>
Invest. In capital assets	\$ 1,245,020	660,865	584,155
Unrestricted	<u>210,098</u>	<u>179,343</u>	<u>30,755</u>
Total Net Position	<u><u>\$ 1,455,118</u></u>	<u><u>840,208</u></u>	<u><u>614,910</u></u>

Net Position of the District increased by 35.3 percent (\$1,455,118 compared to \$840,208). The main reason for this large increase was the ODOT reimbursements received in 2022-23. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$179,343 to \$210,098.

Table 2 – Changes in Net Position:

	<u>2022-23</u>	<u>2021-22</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 274,719	231,642	43,077
Grant proceeds/reimb.	603,073	215,349	387,724
Interest	634	271	363
Total Revenues	<u>878,426</u>	<u>447,262</u>	<u>431,164</u>
Expenses:			
Water purchases	101,093	85,456	(15,637)
Contract services	67,200	67,200	-
Supplies & materials	20,193	20,901	708
Repairs & Maintenance	10,364	12,269	1,905
Other expenses	29,991	18,730	(11,261)
Depreciation	34,675	23,479	(11,196)
Total Expenses	<u>263,516</u>	<u>228,035</u>	<u>(35,481)</u>
Changes in Net Position	614,910	219,227	395,683
Net Position, Beginning	<u>840,208</u>	<u>620,981</u>	<u>219,227</u>
Net Position, Ending	<u>\$ 1,455,118</u>	<u>840,208</u>	<u>614,910</u>

The District's total service revenues increased by 96.4 percent (\$431,164), mostly due to the ODOT reimbursements. The total cost of all expenses increased by 15.6 percent (\$35,481).

Capital Assets

At June 30, 2023 the District had \$1,245,020 invested in capital assets, net of depreciation, including land, the water system, equipment, leases and rights. The District added \$618,830 in additional capital assets in 2022-23. The majority of additions were water line relocations and installations, and an excavator.

Long-Term Debt

The District had no outstanding debt at June 30, 2023.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending June 30, 2024 the District's budget is fairly consistent with prior years.

As the current economic conditions continue and expenses continue to increase, additional rate increases may become necessary.

Contacting the District's Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at P.O. Box 81, Clarita, Oklahoma 74535.



BLEDSON, HEWETT & GULLEKSON
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Clarita-Olney Water Company, Inc.
Clarita, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Clarita-Olney Water Company, Inc. (the District), Clarita, Oklahoma, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 8, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in the internal controls, described in the accompanying schedule of audit results as item 23-1, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is described in the accompanying schedule of audit results. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

September 8, 2023

CLARITA-OLNEY WATER COMPANY, INC.
Clarita, Oklahoma
Schedule of Audit Results
June 30, 2023

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit disclosed a significant deficiency in the internal controls, item 23-1, which was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

23-1 – Lack of Segregation of Duties

Condition-

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting controls.

Criteria-

An organization should ensure that there is a proper segregation of duties regarding bank reconciliations and the payment and classification of expenses.

Cause/Effect

There is always the possibility that funds expended or bank withdrawals are not used for actual District obligations. The District is not large enough to justify the hiring of additional personnel.

Recommendation-

The current procedures should not be changed. However, there should be additional personnel instilled into the reconciliation and payment procedures when this becomes economically possible.

Response-

Additional personnel will be hired when the actual funds are available. The District is small cannot afford to hire additional personnel. All funds are collected through Shamrock Bank in Coalgate, and two signatures are required on all checks issued.

Clarita-Olney Water Company, Inc.
Statement of Net Position
June 30, 2023

	June 30, 2023	-Memorandum- -Only- June 30, 2022
<u>ASSETS</u>		
Current assets:		
Cash	\$ 70,989	\$ 36,784
Investments	118,642	118,251
Receivables	26,188	29,909
Prepaid insurance	4,282	3,982
Total current assets	220,101	188,926
Capital assets:		
Water system and improvements	1,963,163	1,344,333
Less: accumulated depreciation	(718,143)	(683,468)
Total capital assets	1,245,020	660,865
TOTAL ASSETS	\$ 1,465,121	\$ 849,791
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 9,003	\$ 8,683
Rental deposits	1,000	900
Total current liabilities	10,003	9,583
 <u>NET POSITION</u>		
Net investment in capital assets	1,245,020	660,865
Unrestricted	210,098	179,343
Total Net Position	1,455,118	840,208
TOTAL LIABILITIES AND NET POSITION	\$ 1,465,121	\$ 849,791

The accompanying notes to the financial statements are an integral part of this statement

Clarita-Olney Water Company, Inc.
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended June 30, 2023

	<u>2022-23</u>	<u>-Memorandum- -Only- 2021-22</u>
Operating Revenues:		
Water sales	\$ 267,520	\$ 216,907
Benefit units	7,000	5,000
Other fees	199	9,735
Total revenues from operations	<u>274,719</u>	<u>231,642</u>
Operating Expenses:		
Water purchases	101,093	85,456
Contract services	67,200	67,200
Supplies and materials	20,193	20,901
Maintenance and repairs	10,364	12,269
Professional fees	7,139	6,150
Utilities	11,487	6,702
Dues and licenses	2,990	2,791
Insurance	5,918	1,616
Miscellaneous	132	42
Postage	2,325	1,429
Total expenses from operations	<u>228,841</u>	<u>204,556</u>
Operating Income (Loss)	45,878	27,086
Non-Operating Revenues (Expenses):		
Interest income	634	271
Grant proceeds	0	102,848
ODOT reimbursements	591,573	112,501
Choctaw Nation reimbursements	11,500	0
Depreciation	(34,675)	(23,479)
Total non-operating revenues (expenses)	<u>569,032</u>	<u>192,141</u>
Change in Net Position	614,910	219,227
Total Net Position, beginning of period	<u>840,208</u>	<u>620,981</u>
Total Net Position, end of period	<u>\$ 1,455,118</u>	<u>\$ 840,208</u>

The accompanying notes to the financial statements are an integral part of this statement

Clarita-Olney Water Company, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2023

	2022-23	-Memorandum- -Only- 2021-22
Cash flows from operating activities:		
Receipts from customers	\$ 278,440	\$ 218,023
Payments for labor	(67,200)	(67,200)
Payments to vendors	(161,521)	(141,741)
Net cash (used in) provided by operating activities	49,719	9,082
Cash flows from capital and related financing activities:		
Capital assets purchased	(618,830)	(216,660)
Principal paid on debt	0	(4,686)
Grant proceeds and reimbursements	603,073	215,349
Net cash used in capital and related financing activities	(15,757)	(5,997)
Cash flows from investing activities:		
Interest on investments	243	13
Net increase (decrease) in cash and cash equivalents	34,205	3,098
Cash & cash equivalents, beginning of period	36,784	33,686
Cash & cash equivalents, end of period	\$ 70,989	\$ 36,784
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 45,878	\$ 27,086
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in current assets-		
Accounts receivable	3,721	(13,819)
Prepaid expenses	(300)	(3,982)
Increase (decrease) in current liabilities-		
Accounts payable	420	(203)
Net Cash Provided by Operating Activities	\$ 49,719	\$ 9,082

The accompanying notes are an integral part of the financial statements

CLARITA-OLNEY WATER COMPANY, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR YEAR ENDED JUNE 30, 2023

Note 1 – Significant Accounting Policies

Clarita-Olney Water Company, Inc. (the “District”) was created under the provisions of Title 82, Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, for the purpose of providing water to the members of the District it serves. Membership in the water district consists of water users who have paid the required membership and connection fees. The District is exempt from federal and state income taxes.

The membership consists of approximately 400 users, each entitled to one vote. The Board consists of five members. The vacant Board seats are elected at the annual meeting, and all officers of the Board (chairman, vice-chairman and secretary/treasurer) are voted and approved at this meeting. The members of the Board serve without compensation.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with Generally Accepted Accounting Principles (GAAP).

Cash

The District’s accounts at June 30, 2023 are comprised as follows:

Shamrock Bank, Coalgate, OK	
Operating & Maintenance Checking	\$ 70,731
Deposits in transit	759
Outstanding checks	<u>(500)</u>
Total Cash	<u>\$ 70,990</u>

Investments

The District had the following investments at June 30, 2023:

FirstBank, Antlers, OK-	
Certif. of Deposit, dated 4/5/21, matures 4/5/24, .3%	<u>\$ 118,642</u>

CLARITA-OLNEY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

Note 1 – Significant Accounting Policies – cont’d

Deposits and Investments

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers’ acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at several financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Custodial Credit Risk - At June 30, 2023 the District held deposits of approximately \$189,373 at financial institutions. The District’s cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District’s name.

Investment Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk – The District has no policy that limits its investment choices other than the limitations of state law, as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

CLARITA-OLNEY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

Note 1 – Significant Accounting Policies – cont’d

- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d).

Fair Value of Financial Instruments – The District’s financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District’s estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

Capital Assets

Capital (fixed) assets are valued at cost, and depreciation is computed by use of the straight-line method. The estimated useful life of these assets range from five to 40 years. Capital asset information for the 2022-23 fiscal year is as follows:

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2023</u>
Water distribution system	\$ 1,303,282	590,832	-	1,894,114
Equipment	21,791	27,998	-	49,789
Buildings	19,260	-	-	19,260
Total capital assets	<u>1,344,333</u>	<u>618,830</u>	<u>-</u>	<u>1,963,163</u>
Less: Accumulated depreciation	<u>(683,468)</u>	<u>(34,675)</u>	<u>-</u>	<u>(718,143)</u>
Capital assets, net	<u>\$ 660,865</u>	<u>584,155</u>	<u>-</u>	<u>1,245,020</u>

Additions to capital assets in the 2022-23 fiscal year included water lines being replaced and installed on Highway 48 and Highway 31, and excavator and a billing software package.

Accounts Receivable

Billings for accounts receivable at June 30, 2023 were \$26,188. No computation was made for allowance for doubtful accounts, which is not considered to be material to the financial statements.

CLARITA-OLNEY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

Note 1 – Significant Accounting Policies – cont'd

Inventories

The District does not include an inventory amount on its financial statements. All items purchased for inventory are expensed immediately.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions of enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments, such as certificates of deposit maturing within 60 days of year end, as cash equivalents.

Note 2 – Long-Term Debt

The District had no outstanding long-term debt at June 30, 2023.

CLARITA-OLNEY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2023

Note 3 – Insurance and Surety Bond Coverage

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 4 – Major Suppliers

The District purchases their water from the Coalgate Water Department and is subject to water rate increases from this water source.

Note 5 – Subsequent Events

For the 2023-24 fiscal year, the District has filed to change its tax status from a corporation to a Rural Water District. It has obtained the approval of the Coal County Commissioners and has obtained a new tax identification number.

Management has evaluated subsequent events through September 28, 2023, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

CLARITA-OLNEY WATER COMPANY, INC.
Schedule of Water Rates and Customers
-Unaudited Information-
June 30, 2023

Water Rates

0 – 1,000 gallons	=	\$20.00
1,001 – 10,000 gallons	=	\$8.00 per 1,000 gallons
10,001 – 15,000 gallons	=	\$9.00 per 1,000 gallons
15,000 – 20,000 gallons	=	\$10.00 per 1,000 gallons
20,001 and over	=	\$11.50 per 1,000 gallons

Customers

Membership fee is \$500
Meter fee is \$1,000